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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re :
: **Chapter 11**
SEARS HOLDINGS CORPORATION, et al., :
: **Case No. 18-23538 (RDD)**
:
Debtors.¹ : **(Jointly Administered)**

**DEBTORS' REPLY TO SMITH OBJECTION TO
MOTION OF DEBTORS FOR ENTRY OF AN ORDER EXTENDING
THE AUTOMATIC STAY TO CERTAIN NON-DEBTOR PARTIES**

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); SHC Licensed Business LLC (3718); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); Sears, Roebuck de Puerto Rico, Inc. (3626); SYW Relay LLC (1870); Wally Labs LLC (None); SHC Promotions LLC (9626); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); Sears Brands Management Corporation (5365); and SRe Holding Corporation (4816). The location of the Debtors' corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

TO THE HONORABLE ROBERT D. DRAIN,
UNITED STATES BANKRUPTCY JUDGE:

Sears Holdings Corporation and its debtor affiliates, as debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the “**Debtors**”), respectfully submit this reply (the “**Reply**”) to the objection filed by Karen Smith (ECF Nos. 1298, 1335) (the “**Smith Objection**”) to the *Motion of Debtors for Entry of an Order Extending the Automatic Stay to Certain Non-Debtor Parties*, filed on November 28, 2018 (ECF No. 924) (the “**Motion**”).²

Debtors’ Reply

1. The Smith Objection objects to the stay of Ms. Smith’s prepetition defamation action (the “**Prepetition Action**”), captioned *Smith v. Sears Logistics Services, Inc., et al.*, No. 13028-2015, in the Court of Common Pleas of Luzerne County, Pennsylvania (the “**State Court**”), as to non-debtor parties Timothy McCann and Scott Walsh based on their actions while employees of the Debtors (the “**Co-Defendants**”). The Smith Objection asserts that the Debtors did not establish “immediate adverse consequences” for the relief requested in the Motion.³

2. The Debtors will suffer adverse consequence if the Prepetition Action is allowed to continue as to the Co-Defendants. Pursuant to agreements entered into in 2017 (the “**Letter Agreements**”), the Debtors agreed to joint representation of the Co-Defendants, and to pay the fees and expenses associated with such representation.

² Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Motion.

³ Ms. Smith also filed a *Motion for Relief from the Automatic Stay* (ECF No. 1126) based on the Pre-Petition Action, seeking to lift the automatic stay to proceed against the named Debtor party, Sears Logistics Services, now known as Innovel Solutions, Inc. (“**Innovel**”). This motion is set to be heard on January 18, 2018.

3. At this time, the Debtors have not determined whether they will assume or reject the Letter Agreements. In addition, the Debtors have been informed that, during a conference on January 8, 2019, the State Court adjourned the March 4, 2019 trial date in the Smith Action to September 3, 2019. Given the adjournment by the State Court, the Debtors propose to adjourn their Motion with respect to the Smith Objection to a later date to be scheduled with the Court. Neither the Debtors' estates and nor Ms. Smith will be prejudiced by an adjournment, which will provide the Debtors additional time to determine the impact on the Debtors' estates of assuming or rejecting the Letter Agreements.

CONCLUSION

4. Based on the foregoing, the Debtors respectfully request that the Court permit the Debtors to adjourn the Motion with respect to the Prepetition Action to a later date to be scheduled with the Court.

Dated: January 11, 2019
New York, New York

/s/ Garrett A. Fail
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